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FOR RED - BOEHM

1. A. CHAPTER XI - MULTINATIONAL CORPORATIONS - CHAPTER

DISCUSSES ROLE MULTINATIONAL CORPORATIONS (MNC) PLAY IN
DEVELOPING COUNTRIES OF ASIA/PACIFIC REGION. PAPER FIRST
MENTIONS RELATIONSHIP OF MNC'S TO UN INTERNATIONAL
DEVELOPMENT STRATEGY AND DESCRIBES GROWTH AND PRESENT STATUS
OF MNC'S IN THE REGION. IT THEN DISCUSSES IMPLICATIONS
OF MNC ACTIVITIES IN NUMBER OF FIELDS INCLUDING TRANSFER
OF TECHNOLOGY, BALANCE OF PAYMENTS, AND EMPLOYMENT.
FINALLY, IT NOTES POLICY IMPLICATIONS OF MNC'S AND MAKES
SUGGESTIONS FOR NATIONAL, REGIONAL AND INTERNATIONAL ACTION.

B. WHILE ACKNOWLEDGING THAT MNC'S HAVE PLAYED A BENEFICIAL
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ROLE IN SOME COUNTRIES, PAPER ON WHOLE HAS RATHER NEGATIVE
TONE. INDEED, SINCE PAPER CLAIMS ALL DEVELOPING COUNTRIES
OF ESCAP REGION ASPIRE TO RAPID ECONOMIC GROWTH "...WITH-

OUT FURTHER LOSING THEIR ECONOMIC AND POLITICAL INDEPENDENCE," AND SINCE INCREASED MNC ACTIVITY ALMOST INEVITABLY MEANS INCREASED ECONOMIC INTERDEPENDENCE, ONE MIGHT CONCLUDE FROM PAPER THAT OBJECTIVES OF GOVERNMENTS AND MNC'S ARE INCOMPATIBLE. PAPER GIVE TOO LITTLE RECOGNITION TO FACT MNC'S MUST BE ABLE TO MAKE PROFITS IF THEY ARE TO MAKE NEW INVESTMENTS AND MAINTAIN PRESENT OPERATIONS.

C. SOME OF MOST SERIOUS CRITICISMS LEVELED AGAINST MNC'S ARE MERELY ASSERTED WITHOUT DOCUMENTATION. THESE UNSUBSTANTIATED CRITICISMS, WHICH OFTEN FOLLOW STATISTICS INDICATING THAT MNC'S HAVE IN FACT PLAYED A USEFUL ROLE, ARE JUSTIFIED IN PAPER BY STATING: "THE MORE IMPORTANT IMPACT (OF MNC'S), HOWEVER, IS DERIVED FROM THE INTANGIBLE FACTORS WHICH ARE NOT QUANTIFIABLE BUT PERVADE THE WHOLE SPECTRUM OF DEVELOPMENT PROCESS, ECONOMIC, SOCIAL, POLITICAL AS WELL AS CULTURAL." (P. 11)

D. POLICY IMPLICATIONS SECTION OF PAPER IS STATED IN RELATIVELY MODERATE AND CONSTRUCTIVE TERMS AS FAR AS RECOMMENDATIONS FOR NATIONAL AND REGIONAL MEASURES ARE CONCERNED. HERE AT LEAST, IT IS STATED: "THERE IS AN URGENT NEED TO IMPROVE EXISTING INVESTMENT POLICIES OF BOTH HOST COUNTRIES AND MNC'S IN ORDER TO ENSURE BOTH THE MAXIMIZATION OF PROFITS AND THE MINIMIZATION OF ADVERSE EFFECTS ON HOST COUNTRIES." (P. 22)

E. SECTIONS OF PAPER DEALING WITH RELATIONSHIP OF MNC'S TO INTERNATIONAL DEVELOPMENT STRATEGY AND INTERNATIONAL ACTIONS ARE LESS SATISFACTORY. PROGRAM OF ACTION RESOLUTION ADOPTED BY THE SIXTH SPECIAL SESSION OF UNGA (RES 3202(S-VI)), WHICH CALLED FOR INTERNATIONAL REGULATION AND CONTROL OF MNC'S IS CITED AS INDICATION OF INTERNATIONAL CONCERN OVER THEIR ALLEDGED "UNBRIDLED GROWTH". FOR US POSITION ON PROGRAM OF ACTION SEE FIRST GUIDANCE MSG.

F. PAPER MAKES PROMINENT MENTION OF INTERNATIONAL CODE TO UNCLASSIFIED

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REGULATE MNC'S (P. XI 1) AND A GENERAL AGREEMENT ON MNC'S HAVING THE FORCE OF AN INTERNATIONAL TREATY (P. XI 25). AT RECENT MEETING OF SPECIAL SESSION OF INTERSESSIONAL COMITE OF ECOSOC TO CONSIDER REPORT OF EMINENT PERSONS ON MNC'S AND TO ESTABLISH PERMANENT UN MACHINERY ON MNC'S, USDEL INDICATED THAT WHILE WE ARE WILLING TO CONSIDER DEVELOPMENT OF NONBINDING CODE OF CONDUCT DEALING WITH MNC'S, WE BELIEVE THAT ANY SUCH CODE MUST INCLUDE RESPONSIBILITIES OF GOVERNMENTS AS WELL AS CORPORATIONS. GIVEN EXISTING WIDE NATIONAL DIFFERENCES, WE BELIEVE

GENERAL AGREEMENT ON MNC'S IS NOT PRESENTLY FEASIBLE AND WORK ON SUCH AN AGREEMENT WOULD BE PREMATURE. USDEL, HOW-

EVER, SUPPORTED A RES ESTABLISHING A UN COMMISSION ON MNC'S WHICH WAS APPROVED BY ECOSOC AT ITS RESUMED 57TH SESSION.

G. FOOTNOTE 4, P. XI 2 OF PAPER STATES "THERE IS A STRONG

FEELING NOW THAT THE WORD "TRANSNATIONAL" BETTER CONVEYS THE CONNOTATION THAT THESE FIRMS OPERATE FROM THEIR HOME BASES ACROSS NATIONAL BOUNDARIES, RATHER THAN "MULTI-NATIONAL" WHICH COULD APPLY TO JOINT-VENTURES AMONG DEVELOPMENT COUNTRIES. HOWEVER, TO AVOID CONFUSION IN THE MEANING, THIS PAPER WILL CONTINUE TO USE THE WORD "MULTI-NATIONAL".

H. WE DO NOT ACCEPT THIS VIEW. THE USDEL SHOULD MAKE CLEAR THAT WE CONSIDER THE TERMS "TRANSNATIONAL" AND "MULTINATIONAL CORPORATION" TO BE SYNONYMOUS AND THAT IN DISCUSSING THEM WE INCLUDE THE FOREIGN INVESTMENT-TYPE ACTIVITIES OF ALL BUSINESS ENTERPRISES, WHETHER PRIVATE, STATE-OWNED, OR MIXED, OR BASED IN DEVELOPED OR DEVELOPING COUNTRIES.

2. CHAPTER XII LAND-LOCKED AND DEVELOPING ISLAND COUNTRIES - FAIR PRESENTATION OF SITUATION OF THESE COUNTRIES. US SUPPORTS RECOMMENDATION OF ESCAP TO ASSIST AS MUCH AS POSSIBLE AT REGIONAL LEVEL, SINCE MANY OF THE PROBLEMS (E.G., TRANSPORTATION, TRADE) CAN BEST BE SOLVED OR AT LEAST HELPED IN REGIONAL OR SUB-REGIONAL CONTEXTS. US IS OPPOSED TO CREATION OF SPECIAL FUND FOR LAND-LOCKED AND/OR UNCLASSIFIED

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ISLAND COUNTRIES. DISCUSSIONS ON THIS OR OTHER SPECIAL ASSISTANCE PROPOSALS SHOULD BE LEFT TO OTHER FORA. APART FROM FOREGOING USDEL SHOULD NOT BECOME INVOLVED IN DISCUSSION, BEING ESPECIALLY CAREFUL NOT TO TAKE SIDES IN ANY CONTROVERSY BETWEEN ASIAN COASTAL AND LAND-LOCKED STATES.

3. CHAPTER XIV "GUIDELINES FOR CHANGES IN DEVELOPMENT STRATEGIES - PLANNING FOR THE MASSES" PRESENTS FORCEFUL CASE FOR REORIENTATION OF DEVELOPMENT STRATEGY FROM ALMOST EXCLUSIVE CONCERN WITH GROWTH TOWARD EFFORTS WHICH WILL BENEFIT THE POOR (BOTTOM 40 PERCENT) TO MUCH GREATER EXTENT THAN IN THE PAST, AND WILL ALSO BRING FEWER BENEFITS TO THE AFFLUENT (TOP 20 PERCENT). THIS OBJECTIVE CONSISTENT WITH PRESENT EMPHASIS IN US DEVELOPMENT ASSISTANCE AND OBJECTIVE WITH WHICH WE CAN ASSOCIATE OURSELVES.

IN MAKING CASE FOR SUCH REORIENTATION IN FIRST FEW PAGES, HOWEVER, PAPER SOMEWHAT EXAGGERATES "FAILURES" OF PAST DEVELOPMENT EFFORTS. IN SECOND PARA ON P. XIV-1, FOR INSTANCE, IT IS STATED THAT "EVEN IN COUNTRIES WHERE POVERTY IS LESS ACUTE, INEQUALITIES OF WEALTH AND INCOME

CONTINUE TO WORSEN". THE RECENT BOOK BY IBRD AND SUSSEX UNIVERSITY "REDISTRIBUTION WITH GROWTH" PRESENTS A MORE MIXED PICTURE; ALTHOUGH RELATIVE POSITION OF POOR IN MANY COUNTRIES HAS WORSENERED, IN OTHERS IT HAS IMPROVED OR

REMAINED ABOUT THE SAME (INCLUDING KOREA AND TAIWAN). PAPER ALSO GIVES IMPRESSION THAT MASS POVERTY AND UNEQUAL INCOME DISTRIBUTION ARE NEW PHENOMENA INSTEAD OF AGE-OLD ONES; REAL DIFFERENCE IS WAY PERCEPTION OF SITUATION HAS CHANGED IN RECENT YEARS. IMPRESSION IS GIVEN THAT FOOD SHORTAGES ARE "RAMPANT" THROUGHOUT REGION WHEN ACTUALLY THEY ARE CIRITICAL MOSTLY IN A FEW (VERY LARGE) SOUTH ASIAN COUNTRIES.

DEVELOPED COUNTRIES ARE CRITICIZED (P. XIV-1, PARA 1) BECAUSE "PROMISES AND EXPECTATIONS--OF DEVELOPMENT ASSISTANCE HAVE REMAINED LARGELY UNFULFILLED." PRESUMABLY, THIS IS DIRECTED AT US SINCE OUR ASSISTANCE HAS DECLINED, EXPECIALLY IN REAL TERMS. ASSISTANCE FROM MULTILATERAL UNCLASSIFIED

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AGENCIES (NOTABLY IBRD) AND SOME DEVELOPED COUNTRIES, HOWEVER, HAS INCREASED SO THAT CHARGE OF AID EXPECTATIONS BEING "LARGELY UNFULFILLED" SEEMS EXCESSIVE. MOREOVER, SOME DEVELOPING COUNTRIES, NOTABLY INDIA, HAVE ELECTED TO BE LESS DEPENDENT ON EXTERNAL ASSISTANCE. ON P. XIV-2 PARA 3 NEED FOR RESTRUCTURING INTERNATIONAL TRADE AND FOR MASSIVE TRANSFER OF RESOURCES IS STRESSED, BUT LIKELIHOOD OF SUCH COURSE AT TIME WHEN DEVELOPED COUNTRIES ARE EXPERIENCING SEVERE ECONOMIC PROBLEMS OF THEIR OWN DOES NOT SEEM PROMISING.

ELEMENTS OF PLANNING FOR MASSES (SECTION C) INCLUDES THE BASIC GOAL OF REACHING THE POOREST 40 PERCENT, PRODUCTION OF GOODS FOR MASS CONSUMPTION, APPROPRIATE TECHNOLOGY, FULLER USE OF THE LABOR FORCE, RURAL DEVELOPMENT WITH EMPHASIS ON SMALL FARMS, REALISTIC FACTOR PRICES, FISCAL POLICY, REDISTRIBUTION OF LAND, AND MORE RELEVANT EDUCATION. THESE FOR THE MOST PART ARE CONSISTENT WITH WHAT US HAS BEEN STRESSING BUT WHETHER AND HOW THIS IS TO BE DONE IS A MATTER FOR THE INDIVIDUAL COUNTRIES. WE WOULD TAKE ISSUE WITH SUBSIDIZING LOW COST HOUSING (P.9 XIV) AND FEEL THAT SITES AND SERVICES REPRESENTS THE MOST PROMISING APPROACH.

IT IS RECOGNIZED (P.XIV-9) THAT PLAN IMPLEMENTATION HAS LAGGED BECAUSE OF INCAPABLE AND "ARCHAIC" BUREAUCRATIC SYSTEMS AND THAT SUCCESS IN PLANNING FOR THE MASSES THEREFORE REQUIRES RADICAL INSTITUTIONAL CHANGE. SOME OF REQUIRED CHANGES ARE TOUCHED ON BRIEFLY BUT HOW RADICAL CHANGE IS TO COME ABOUT IS NOT CLEAR.

CHAPTER EMPHASIZES NEED FOR RADICAL REORIENTATION OF DEVELOPMENT STRATEGY WHEREAS OUR APPROACH HAS BEEN TO SUPPORT INCREMENTAL IMPROVEMENTS ON GROUNDS THAT RADICAL CHANGE CAN ONLY OCCUR IF THERE IS RESTRUCTURING OF POLITICAL POWER, NATIONAL PURPOSE, AND INSTITUTIONS. BASIC QUESTION IS THEREFORE NOT PLANNING TECHNIQUES, AS CHAPTER SUGGESTS, BUT RATHER PRIORITIES OF GOVERNMENTS AND GOALS AND INTERESTS OF THOSE WHO CONTROL THEM.

4. CHAPTER XV EVOLVING INTERNATIONAL STRATEGY FOR THE UNCLASSIFIED

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SECOND DEVELOPMENT DECADE - THE PAPER DRAWS ON SUBSTANCE OF DECLARATION AND PROGRAM OF ACTION ON THE ESTABLISHMENT OF A NEW INTERNATIONAL ECONOMIC ORDER. THE USG HAS SERIOUS PROBLEMS WITH A NUMBER OF SPECIFIC ASPECTS OF THIS DECLARA-

TION (E.G., ABSOLUTE RIGHTS OVER RESOURCES IN DISREGARD OF INTERNATIONAL LAW, INDEXATION, AID TARGETS) AND ACCORDINGLY CANNOT SUPPORT SOME OF SAME POSITIONS REFLECTED IN THIS CHAPTER. FOR US POSITION ON DECLARATION AND PROGRAM OF ACTION REFER TO FIRST GUIDANCE TEL AND FOR POSITION ON SOME SPECIFIC ISSUES SEE COMMENTS AND GUIDANCE ON CHAPTERS 6-11 IN THIS AND SECOND GUIDANCE MSG. USDEL CAN ENDORSE ECONOMICALLY SOUND PROPOSALS FOR REGIONAL COOPERATION, AND COOPERATION AMONG DEVELOPING COUNTRIES WHICH DO NOT CONFLICT WITH GENERAL US POSITIONS.

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